

BY THE SAME AUTHOR

PROBLEMS OF LIFE

# TOWARDS SOCIALISM OR CAPITALISM ?

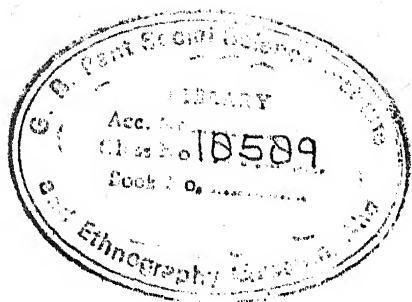
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WITH A PREFACE SPECIALLY  
WRITTEN BY THE AUTHOR  
FOR THE ENGLISH EDITION



METHUEN & CO. LTD.  
36 ESSEX STREET W.C.  
LONDON



*First Published in 1926*

PRINTED IN GREAT BRITAIN

## TO THE ENGLISH READER

THIS book is an attempt to estimate the true value of the foundations of our economic development. The difficulty of an evaluation of this kind lies in the sharp break made by our development. When a movement proceeds along a straight line, two points are sufficient to determine its course. On the contrary, should development describe a complex curve the estimation of each separate section becomes a difficult matter. And the eight years of the new regime are merely a small section.

Our opponents, however, and our enemies have repeatedly passed severe judgment on our economic development—and that long before the eighth anniversary of the October Revolution. Their judgments follow two lines: In the first place they tell us that in building up socialist economics we are ruining the country, in the second they say that in developing our productive forces, we are practically marching towards capitalism. The first method of judgment is characteristic of pure bourgeois thought; the second is as typical of social democratic, *i.e.* disguised bourgeois ideology.



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There is no sharp line of demarcation between the two types of criticism and the two often exchange weapons in a neighbourly way—without noticing it themselves—in the intoxication of their battle against communist barbarity.

The present work will show, I hope, to the unbiassed reader that the outspoken big bourgeois and the petty bourgeois masquerading as socialist deliberately pervert the truth. They do so when they say that the Bolsheviks have ruined Russia. The most incontestable evidence bears out the fact that in Russia, ruined first by the Imperialist war and then by the civil war, the productive forces of trade and agriculture are reaching the pre-war level which will be attained in the course of the current year. They are also wrong when they say that the development of our productive forces proceeds on capitalist lines. In all branches of the economic life—in industry, transport, trade, the credit system—the predominance of State management far from diminishing with the growth of the productive forces, is steadily increasing. This is fully borne out by figures and facts.

The problem of agriculture is a much more complicated one, and there is nothing surprising in this to the Marxian mind. The change from the system of small individual peasant holdings to socialist methods of land cultivation is only

conceivable after a number of consecutive stages of progress in technical science in economics and culture. The all important condition of the change is that power should remain in the hands of the class whose object is to lead the community towards socialism and which gains more and more ability to influence the peasantry by means of State industry, improved scientific agriculture, creating thereby premises for a transition to collective methods of cultivation.

We have obviously not yet solved this problem. We are only creating the premises for a consecutive and gradual solution of it. These very premises, however, develop new disparities and pitfalls. What are they ?

At present the State places on the market four-fifths of the industrial produce, while about one-fifth falls to the share of private enterprise, provided practically by the petty home industries. Railway and water transport is entirely in the hands of the State. State and co-operative trade now covers nearly three-quarters of the trade turnover. Ninety-five per cent. of the foreign trade is in the hands of the State. Credit institutions form a centralised State monopoly. This mighty State combine, however, is confronted by no less than 22,000,000 of peasant holdings. A combination of State economics and peasant economics subject

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to the general growth of the productive forces at present constitutes the fundamental *social* problem of socialist progress in our country.

The growth of the productive forces is an indispensable condition to the achievements of socialism. At the present level of economic development and culture, the growth of the productive forces is made possible only by the inclusion of the individual interest of the producers into the scheme of communal economics. In regard to industrial workers, this is secured by making the wages dependent on output. Much success has already been achieved in this direction. In regard to the peasants, personal interest is secured by the very existence of individual holdings and their participation in the market. But there are also difficulties arising from the same fact. Differences in the scale of wages, however considerable they may be, do not lead to a stratification of the proletariat; the workers, no matter what their wages are, remain workers employed in State factories and works. The case is different in regard to the peasants. With 22 millions of peasant holdings working for the market, the State farms, collective peasant farms and agricultural communes forming but an insignificant minority among them, we are inevitably led to the position where on the one end of the peasant masses we have not only prosperous

but exploiting farms, and on the other, a part of the less prosperous falling into pauperism, and paupers becoming hired labourers. When the Soviet Government, on the advice of our Party, introduced the New Economic Policy and widened its scope in regard to the land, it was quite aware of the inevitable social results on the economic system, as well as of the political dangers it involved. However, we regard these dangers not as fatal consequences to be accepted, but as problems which have to be carefully analysed and solved at each successive stage of our development.

The danger might have become insuperable had the State given up its direction of industry, trade and finance at the same time as the stratification among the peasant masses was gaining ground. Had that been the case the influence of private capital would have grown on the market, the peasant market first of all, and in accelerating the process of stratification among the peasantry might have turned the whole of the economic development towards capitalism. That is the reason why it was so very important for us to make sure, first of all, in what direction the change was taking place in relation to the class forces in industry, transport, finance, home and foreign trade. The growing predominance of the Socialist State in all these branches—the State Planning Commission proves

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this beyond a doubt—has created quite a new relation between the Town and the Land. We stand firmly at the posts of command at the head of economic development and the growth of capitalist or semi-capitalist tendencies in agriculture cannot possibly at any conceivable time in the near future pass beyond our control. And to gain time in this matter is to gain all. As far as there is struggle between the capitalistic and socialistic tendencies in our economic life—it is the co-operation and competition between them which actually constitute the essence of the New Economic Policy—the issue of the struggle depends on the rate of development of the two tendencies. In other words should State industry develop more *slowly* than agriculture and should the latter *with increasing speed* produce the two opposite poles we have spoken of—the capitalistic farmers at the top, the proletarians at the bottom—this would, of course, lead to a restoration of capitalism. But let our enemies but attempt to prove such an issue to be *inevitable*. They will burn their fingers at the task even if they attack the question more skilfully than poor Kautsky did (or Mr. Macdonald). But is such a possibility *out of the question*? Theoretically it is not. Should the party in power make blunder after blunder in politics and economics and thus impede the growth of industry which is

now developing in so promising a way, should it let out of its hands the control of the political and economic processes going on in the rural districts, the cause of socialism in our country would certainly be lost. In our prognosis, however, we have no desire to anticipate such possibilities. How to lose power, how to give up all the conquests of the proletariat, how to help the cause of capitalism has been admirably taught us by Kautsky, and his friends after the 9th November, 1918. There is, nothing more to be added to that. Our problems, our aims, our methods are different. We want to show how to keep and to consolidate the power gained by the proletariat, and how to pour socialist economics into the mould of the proletarian State. We have every reason to anticipate that with proper guidance, the growth of industry will keep ahead of the process of stratification among the peasantry and neutralise it, creating a technical base and economic possibilities for a gradual transition to collective farming.

This work does not give statistical details of the stratification going on among the peasantry, for the very reason that such statistics as are needed for a *general* estimation of the process do not exist; not so much because of the deficiencies in our public statistics, as of the peculiar character of a social process embracing the mollecular changes

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of 22 million peasant farms. The State Planning Commission whose estimates form the base of the present work, is now investigating the process of the economic stratification going on among the peasantry. The conclusions it will arrive at will be published in due course, and will certainly be of the utmost importance for the measures to be adopted by the State in regard to taxation, agricultural credits, co-operation, etc. These statistics, however, will by no means alter anything in the main forecasts of the present work.

L. TROTSKY

*Kislovodsk*

*7th November, 1925*

*The eighth anniversary of the October Revolution*

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## I

### THE LANGUAGE OF FIGURES

#### I

**T**HE State Planning Commission has published the control figures of the Soviet national economy for the financial year 1925-1926. This may sound dry and bureaucratic, but in the dry columns of figures and in the equally dry explanations of them, we can hear the glorious music of socialism in growth. Here, we no longer have conjectures, propositions, hopes, theoretic speculations; here we have the weighty tongue of numbers, convincing even to the New York Stock Exchange. We will pause at these figures, at the most important of them, for they are fully worth it.

First of all, the very fact of their publication is a glorious event for us. The day on which



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they appeared (20th August) should be marked on the Soviet calendar. Agriculture, industry home and foreign trade, the volume of money in circulation, prices of commodities, credit operations, the State budget, are all shown in these figures in the process of their development and correlation. We have here a clear and comprehensible comparison of all the important figures for 1913, for 1924-1925, and the estimates for the year 1925-1926. The explanatory notes give all the necessary data for the other years of the Soviet economy. As a result, we receive a general picture of our process of construction, as well as an estimate for the succeeding financial year. That this has been possible is an achievement of the first order.

Socialism is a balance sheet. Only, under the New Economic Policy the forms of it are different from those we attempted to adopt under Militant Communism. The latter can only find full expression under socialism completely realised. But socialism is a matter of balance sheet even now, and under the New Economic Policy still more than under complete socialism, for then the contents of the balance

sheet will be purely economic, whereas now it is bound up with the most complicated political problems. And here, in this table of control figures, the socialist state is for the first time taking stock of all the branches of its economic system in their correlation and development. Its very possibility is a sure sign of concrete economic success, as well as of a growing ability to calculate, to generalise, and to lead in economics. The control figures may be regarded as a sort of matriculation. We must bear in mind however, that matriculation is not equal to graduation. It is only the passage from secondary to higher education.

When we look at the figures, the first question that arises is, how far are they correct? In this respect, there is a wide field for reserves, restrictions, and even scepticism. We know that our statistics and figures are often inaccurate, not so much because of less efficiency than is to be found in other branches of our economic and cultural activities, but because they reflect all, or at least, many aspects of our backwardness. This however, does not justify a wholesale disbelief in them in the hope that in a year or two perhaps,

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one might be able to show up some error in one or other of the figures and pose as being wise after the event. There will most probably be many errors, but wisdom after the event is the very cheapest of all wisdom. For the moment, the figures of the State Planning Commission give the utmost approximation to truth. Why? For three reasons. First of all, they are founded on the most complete material available, and material moreover, which has not been obtained from the outside, but has been evolved day in, day out, by the different sections of the Commission itself. Secondly, the material has passed through the hands of the most competent and qualified economists, statisticians, and engineers, and thirdly, the work has been carried out by an institution which is free from all departmental partiality and can always confront the different departments when necessary.\* There are moreover, no commercial and no economic secrets generally for the State

\* The control figures of the active economic organisations are "not only deficient, they are moreover purposely so," says a note of the explanatory pages of the State Planning Commission. This hard judgment should be particularly noted. With the help of the State Planning Commission and the press, the active economic organisations must be taught to give disinterested, i.e., correct figures.

Planning Commission, for it has the right to verify either directly or through the Workers' and Peasants' Control Department any productive process or trade account. All balance sheets are open to its inspection, as well as departmental estimates, and not merely from their show-front but from their rough draft. Some of the figures, of course, are bound to be disputed one way or another by the different departments. The objections, whether accepted or refuted, may seriously influence the work to be done for current practical purposes, such as import and export operations or the allocation of revenues for economic needs etc., but such adjustments will not affect the figures in the main. Figures more reliable, or more carefully weighed and examined than the control figures of the State Planning Commission cannot be had at the present time. At any rate, even provisional figures, based on all the preceding work, are infinitely preferable to working in the dark. In the first place, we make our adjustments as a result of experience and thus learn something, in the second, we are living in a haphazard way.

The control figures take us to the 1st

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October, 1926. This means that in about twelve months, when we shall be in possession of the actual figures for the financial year, 1925-26, we shall be able to compare our activities of to-morrow with our provisional estimates of to-day. No matter how widely the two may differ, the comparison of the figures will in itself be invaluable as a lesson in planned economics.

When we speak of the accuracy of the provisional estimates, we must first of all clearly understand of what kind the estimates are. When the statisticians of, let us say, the Howard Institute of America, try to determine the tendencies or the rate of growth of different branches of American economics, they proceed to some extent like the astronomers—they try to grasp the dynamics of processes completely outside their control, with the difference only that statisticians do not possess anything like the precise methods of astronomers. The position of our statisticians is, in principle, a different one. They are on the staff of organisations which take an active lead in economics. An estimate is not a passive thing, but a lever of

positive economic provision. Each figure is not only a photograph, but also an order. The control figures have been prepared by a state institution having (and to what an extent!) the higher commands of economics. When the figures say that our exports have to increase from 462,000,000 roubles to 1,200,000,000 roubles in the financial year, 1925-26, that is to say, by 160 per cent., it is not merely a forecast but a definite objective to be obtained. On the basis of what is, the figures show what has to be done. When the figures say that the amount of capital to be put into industry, i.e. the cost of reconstruction and expansion of basic capital is to be 900,000,000 roubles, it is again not a passive estimation, but a practical task of the greatest importance, based on statistics. Such is the table of control figures from beginning to end. It is a dialectical combination of theoretic anticipation with practical insight, the consideration of objective conditions and tendencies together with subjective conception of economic problems on the part of the Workers' and Peasants' State. Herein lies the great difference between the control table of the State

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Planning Commission and the figures and all sorts of estimates of any capitalist State. Herein, as we shall see later, lies the immense superiority of our, that is to say, socialistic methods, to those of capitalism.

The control estimates of the State Planning Commission provide however, not so much a statistical appraisalment of socialist economic methods in general, as the adaptation of these methods to the particular needs of the stage we have reached in our New Economic Policy. The elemental processes of economics specially admit of objective statistical treatment. In their turn, the economic processes directed by the State, emerge on the market at one stage or another and market methods bring them in contact with the uncontrolled processes produced by the split-up condition of peasant agriculture. State planning at the present moment largely consists in combining the controlled and directed processes with the uncontrolled elemental processes of the market. In other words, in our economics, socialist tendencies in varying stages of development are combined and interwoven with capitalist tendencies,

also in varying stages of maturity and immaturity. The control figures connect certain processes with others and thus establish the equilibrium of development. This is the main importance of a provisional plan for socialism.

That the economic processes developing in our country are of a deeply opposite nature, representing a struggle between two systems mutually excluding each other—between socialism and capitalism—we have always known and never attempted to hide. On the contrary, at the very moment when we passed to the New Economic Policy, Lenin put the gist of the position clearly in his historic question "Which is going to score?" Menshevist theoreticians, Otto Bauer to begin with, condescendingly hailed the New Economic Policy as a sober capitulation of premature Bolshevik violent methods of socialist economics to tried and reliable capitalism. The fears of some and the hopes of others have been seriously tested, and the result is given in the control figures of our social and economic estimates. The great significance of the estimate lies in the fact that speculation on the socialist and capitalist elements of



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our economics, on plans and conditions generally is no longer possible. We have taken stock of our resources, it may be roughly and provisionally, but we have quantitatively determined the relation between capitalism and socialism in our economics, and have done this for to-day and to-morrow. Thanks to this, we have obtained valuable, concrete material for a reply to the historic query, "Which is going to score ? "

### II

All that has so far been said merely relates to the principle of the control figures of the State Planning Commission. We have shown the enormous importance for us of having at last achieved the possibility of estimating the basic processes of our economics in their correlation and development and of thus having obtained a vantage ground for an infinitely more conscious and provident planning policy, and that not only in the sphere of our economics. But what is of greater importance to us, of course, is the actual content of the control estimates, that

is to say, the figures which indicate our social development.

In order to receive a proper answer to the question, "Are we going towards socialism or capitalism?" we must, first of all, properly formulate the question itself. It naturally divides into three subsidiary questions: (a) Are our productive forces developing? (b) What are the social forms of this development? (c) At what rate does the development proceed?

The first question is the simplest of all and at the same time the most fundamental. Neither capitalism nor socialism are thinkable without the development of productive forces. Militant Communism which grew out of historic iron necessity, was soon played out, having stopped the development of the productive forces. The most rudimentary and the most imperative principle of the New Economic Policy was to develop the productive forces as a basis for social development in general. The New Economic Policy was greeted by the bourgeoisie and the Menshevists as an indispensable, but, of course, "inadequate" step towards the liberation of the productive

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forces. Menshevist theoreticians of the Kautsky and Otto Bauer type approved the New Economic Policy. They regarded it as the dawn of a capitalist restoration in Russia. They added that the New Economic Policy would either break the Bolshevik dictatorship (a happy issue), or the Bolshevik dictatorship would break the New Economic Policy (an unhappy issue). Converts to Bolshevism\* from the opponents' ranks were at the outset chiefly attracted by the supposition that the New Economic Policy would ensure the development of the productive forces along capitalist lines. It is here that the control figures of the State Planning Commission provide fundamental elements for an answer to the question, not only regarding the development of the productive forces in general, but as to the lines this development is taking.

We are well aware, of course, that the social form of our economic development is dual, being founded both on collaboration and on the struggle between capitalist and socialist methods, forms and aims. Such are the condi-

\* The so-called "change of landmarks" was at one time an important movement among the intellectual class of Soviet Russia. (Translators' note.)

tions our development has been placed in by the New Economic Policy. In fact, they form the very essence of the New Economic Policy. We can, however, no longer be satisfied by such a general conception of the contradictory forces of our development. We need and demand the most accurate coefficients for our economic contradictions, not only the dynamic coefficients of our general development, but the relative coefficients of the weight of the one or other tendency. On the answer to this question a great deal, even everything, depends, in our home as well as our foreign policy.

In order to approach the question from its sharpest angle we will say that without an answer to the question concerning the relative strength of capitalist and socialist tendencies and the direction in which the relative strength of each is modified in accordance with the growth of the productive forces, we cannot arrive at a clear and precise estimation of the chances and possible dangers of our peasant policy. As a matter of fact, if it should happen that in the development of our productive forces capitalist tendencies were growing at the

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expense of socialist tendencies, the final expansion of individualistic tendencies among the peasants might prove fatal, turning our development definitely in the direction of capitalism. On the contrary, were the State, *i.e.* socialist economy, to prevail in the general economic life of the country, then a more or less considerable "liberation" of individualistic tendencies among the peasantry would enter the channel of a definite correlation of forces and would become purely a matter of expediency, resolving itself into such questions as how? when? for how long?

To put it differently, if the productive forces at the disposition of the socialist state and securing all the higher commands, grow not only rapidly, but more rapidly than the individualistic, capitalistic productive forces of the town and the rural districts, and if this is proved by the experience of the most difficult period of re-construction, it becomes clear that a certain expansion of the individualistic commercial tendencies, springing from the very core of peasant agriculture, in no way threatens us with any economic surprises, with a precipitate change of quality and

quantity, that is to say, with a sharp turn to capitalism.

Lastly, comes the third question regarding the rate of our development from the view of world economics. At a first glance, it would seem that this question, despite its importance, was a subsidiary one; we might argue, of course, that it is desirable to attain socialism "as soon as possible," but once the movement is secured by the victorious development of socialist tendencies under the conditions of the New Economic Policy, the question of the rate of development assumes, as it were, a position of secondary importance. This is, however, not true. Such a conclusion would be correct (and that not absolutely), if we possessed an independent and self-sufficient economic system. But this is not the case. It was particularly owing to our achievements that we entered the world market, that is to say, we became a part of the world system of labour division, while being surrounded by capitalism. Under these conditions, the rate of our economic development will determine the strength of our opposition to the economic pressure of world

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capital and to the military political pressure of world imperialism. And for the time being we cannot leave these factors out of account.

If we approach the control figures of the State Planning Commission and the explanatory notes to them with our three "control" questions, we will see that they provide not only a clear and comprehensive, but a highly favourable reply to the two first questions relating to the development of our productive forces and the social forms of this development. As regards the third question concerning the rate of our development, in the course of our economic growth, we have only reached the point at which it can be raised in the internal scale. But here, as we shall see, a favourable reply to the two first questions creates the conditions also for a solution of the third. The solving of the last is the highest goal of our economic development of the near future.

### III

That our productive forces have recovered rapidly is now a well-established fact. There is no greater proof of it than the table of

control figures. The produce of agriculture in the financial year 1924-25, including the bad harvest of 1924, reckoned at pre-war prices, amounted to 71 per cent. of the yield of the favourable agricultural year of 1913. The financial year of 1925-26 with its splendid harvest, according to the latest estimates, promises to exceed the figure of 1913 and to be only slightly below that of 1911. If our total collected supplies of grain in the last few years have never reached 3 milliard poods, it is estimated that in the present year they will yield 4'1.\*

Our industries in the concluding year had, in regard to the value of their output, reached 71 per cent. of the output of the full-blooded year of 1913. In the next financial year it is estimated that production will reach no less than 95 per cent. of the 1913 figure, that is to say, it will practically have completed its process of recovery. If we remember that in the year 1920 our production had fallen to one-fifth or one-sixth of the productive capacity of our factories, we shall realise

\* These are the estimates of to-day (28th August, 1925). The figures may, of course, vary one way or the other.

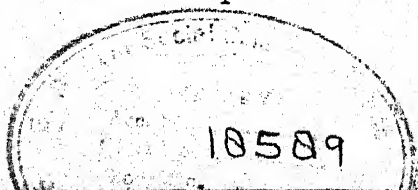


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more clearly how rapid has been the process of our recovery. The output of the State industries has trebled since 1921. Our exports, which do not amount to half a milliard roubles in the current year, promise to exceed a milliard in the next. Our imports too, are showing a like development. The State Budget from  $2\frac{1}{2}$  milliard roubles promises to go far beyond  $3\frac{1}{2}$  milliard roubles. Such are the principal control figures. The quality of our manufactures, still very imperfect, it is true, has nevertheless shown great improvement since the first two years of the New Economic Policy. Thus, to the question as to whether our productive forces are developing, we receive the emphatic reply—the “emancipation” of the market has given a most powerful impulse to the productive forces.

But the fact that the impulse has come from the market—a factor of a capitalist order—has stimulated and still stimulates the malice of theoreticians and politicians, the bourgeoisie. The nationalisation of industry and planned methods of economy seemed to have become hopelessly compromised by the fact of our recourse to the New Economic Policy and its

undoubted economic success. And, it is only an answer to our second question regarding the social forms of our economy, that can provide a socialistic evaluation of our development. The productive forces of Canada are growing, for instance, stimulated by capital from the United States. In India the productive forces develop notwithstanding the throes of Colonial oppression. Productive forces too, are growing in the form of reconstruction, in the Germany of the Dawes Commission. But all these are cases of capitalist development. In Germany particularly, all plans for nationalisation and socialisation which had been so popular—at least in the fat books of academic socialists and among Kautsky's followers—during 1919 and 1920, have been cast aside like so much rubbish, while under the hard patronage of America, the principle of private capitalistic enterprise, in spite of the teeth that have fallen out, is celebrating its second youth. How do matters stand with us in this regard? What social form is the development of our productive forces assuming? Are we marching towards socialism or towards capitalism?



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A premise of socialist economics is the nationalisation of the means of production. Has this premise survived the test of the New Economic Policy? Has the commercial method of distribution of commodities led to the weakening or the strengthening of nationalisation?

The control figures of the State Planning Commission provide unique material for the estimation of the reciprocal action and the struggle between socialistic and capitalistic tendencies in our economic system. We have here indisputable "control" figures which cover basic capital, production, trade, capital and all the other important economic processes of the country.

The most conditional among the figures are probably those relating to the distribution of basic capital, but this has a far greater bearing on the intrinsic (absolute) value of the figures than on their mutual relation, and we are much more interested in the latter. According to the estimation of the State Planning Commission, at the commencement of the financial year, the State owned capital funds "on a most modest reckoning" of

no less than 11·7 milliard chervontzi roubles, the Co-operatives 0·5 milliard roubles and individuals—mostly peasant agricultural holdings—7·5 milliard roubles. This signifies that 62 per cent. of the whole means of production has been socialised, including those with the best technical equipment. Of the non-socialised property only 38 per cent. remains.

As regards agriculture, the figures so far show results not so much of the nationalisation of the land, as the liquidation of landlordism. The results are both serious and instructive. The liquidation of landlordism and all landownership but that of the peasants, has brought about the liquidation of the big estates, among which were some of the most up-to-date farms. This was one of the reasons, a secondary one, it is true, of the temporary decline of agriculture. But we know now that the harvest of the present year is raising agriculture to the pre-war standard without landlordism and without capitalist "scientifically-run" farms. And we are only at the commencement of the development of agriculture, entirely free from landlordism ! This means that the elimination of the land-

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lord class with all its "nests" and even the "barbaric black partition"—meaning the transfer of the whole land to the peasants—which had so alarmed the respectable Menshevists, has already justified itself in the economy as a whole. This is a first, and we might say, not unimportant result.

Regarding the nationalisation of the land, owing to the large number of peasant holdings, it has been impossible, so far, to estimate its results. The early period of socialisation inevitably assumed a rosy "for the people" hue, the gilt edge of which, as inevitably, fell away from it after a while. At the same time, the idea of nationalisation as a socialist measure under a government of the working class has sufficiently maintained itself to make us understand its great importance in the future development of agriculture. Through the nationalisation of the land, we have secured for the Government unlimited opportunities for a land policy. No individual or group property in our country, will stand in the way of the adoption of forms of utilisation of the land for the needs of production. At the present moment, the

productive means of agriculture are nationalised to the extent of 4 per cent., the remaining 96 per cent. still being in the private ownership of the peasants. We must bear in mind, however, that the agricultural means of production, both of the peasants and of the State, form but a little over a third of all the means of production of the Soviet Union. It is hardly necessary to say that the full importance of the nationalisation of the land will only be felt when agriculture has attained a high technical standard, resulting in collective cultivation of the land, that is to say, many years hence. But this is the direction along which we are progressing.

## IV

For us Marxists it was, of course, clear even before the Revolution, that a socialist reconstruction of economics would commence with industry and transport, and then proceed to agriculture. For this reason a statistical survey of the activities of the nationalised industries becomes the key-stone of the socialistic valuation of present transitional economics.

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In industry the means of production have been socialised to the extent of 89 per cent., including the railways to 97 per cent. ; the means of production in the big industries have been socialised to the extent of 99 per cent. These figures show that as regards property, the results of nationalisation during these years have not changed to the prejudice of the Government. This circumstance alone is of great importance. But what concerns us chiefly is something else. What percentage of socialised means of production is included in the yearly output ? That is to say, to what degree of productivity has the Government utilised the means of production it has appropriated to itself. The control figures of the State Planning Commission give us the following answer to this question : the national and co-operative industries have in the financial year, 1923-24, turned out 73·3 per cent. of the whole volume of products ; in the present year, 79·3 per cent., and in the next year, according to the control estimates of the State Planning Commission, they promise to turn out 79·7 per cent. As regards private industry, the output of the latter in the year,

1923-24, has equalled 23·7 per cent.; in 1924-25, 20·7 per cent., and in the next year the amount estimated is 20·3 per cent. Apart from the cautious provisional estimate for the next year, a comparison of the growth of national and private output in the aggregate volume of goods in the country, is of the utmost importance. We see that in the past and present year, that is to say, in the years of intensive economic development, the proportion of state industries has grown by 3 per cent., and private industries have decreased to the same amount. This percentage, for the short period in question, marks the growing strength of socialism as against capitalism. The percentage may appear insignificant, but as a matter of fact, its symptomatic importance is enormous.

Wherein lay the danger of the transition to the New Economic Policy in the early years of its adoption? It lay in the fact that owing to the complete exhaustion of the country the State might not have been strong enough to lift on its shoulders in so short a time the big industrial undertakings. Their reduced capacity (the capacity of the industries



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had fallen to 10 and 20 per cent. of former days) gave to the smaller, petty, and even the home industries the enormous advantage of greater mobility. The so-called "selling out" of the early revolutionary period, which was the socialist payment to capitalism for restarting the factories and works confiscated from it, threatened to deliver into the hands of merchants, middlemen and speculators, a big part of the national property. The home industries and small workshops were the first to revive in the atmosphere of the New Economic Policy. A combination of private commercial capital with the petty and home industries might have resulted in a rapid process of the accumulation of private wealth along well trodden roads. These conditions threatened such a loss of speed in the rate of development that the economic leadership might have been snatched from the hands of the workers' State. We do not, of course, mean to say by this that every temporary or protracted increase in the strength of private industry in the aggregate turnover, inevitably threatens catastrophic or even trying consequences. Even here, quality

depends upon quantity. If the control figures had shown us that the strength of private capitalist production for the last two or three years had increased by one, two, or three per cent., this would not have meant that a dangerous position had been created; State production would still have consisted of three-fourths of the aggregate volume, and the recovery of the speed lost now, when the big undertakings are working at increasing rate of capacity, would have been a problem possible of solution. Had we been shown that the proportion of private capitalist production had increased by five or ten per cent., serious account would have had to be taken of the fact, but even then, for the early period of reconstruction, it would not have meant that economically nationalisation was a disadvantage. We should only have seen that the major part of the nationalised industries had not yet embarked on the necessary process of development. The fact assumes greater significance in that during the early, purely reconstructive period of the New Economic Policy—a period difficult and dangerous for the Government—

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the nationalised industries had not only not ceded any of their functions to the capitalist industries, but had, on the contrary, succeeded in squeezing the latter out to the extent of 3 per cent. Such is the symptomatic significance of this small figure.

The issue becomes clearer if we examine the figures concerning not only production but the trade turnover. In the first six months of 1923, the proportion of private capital in trade was about 50 per cent.; in the last six months it was 34 per cent.; in 1924-25, about 26 per cent. In other words, the importance of private capital in trade for these two years had decreased by half (from one-half to one-quarter). The result was in no way attained by the hampering of trade, for during the same period State and Co-operative trade had increased to more than half their former volume. Thus we see the decline not only of private industry, but also of private trade. And the one and the other have come about as a result of the fundamental growth of the productive forces and the increase in the trade turnover. For the coming year, the control figures estimate

a further—it is true—slight decrease in the weight of private industry and trade. We may await without much misgiving the realisation of this prediction. The victory of State industry over private industry need not necessarily be conceived as a single continually ascending line. There may be periods when the State, sure of its economic power and desirous of increasing the rate of development, purposely allows a temporary increase in the weight of private enterprise—in agriculture in the shape of capitalist farms; in industry and in agriculture too, in the form of concessions. Taking into consideration the split-up condition of the major part of our private industries, it would be naïve to imagine that every increase in the weight of private production above the present 20·7 per cent., would mean an inevitable danger to socialist construction. It would be altogether wrong to attempt to establish a hard and fast line of percentage in this respect. The question is determined not by a formal line, but by the general dynamics of development. A study of the latter shows that in the most difficult period, when the big

undertakings showed their negative sides rather than their positive, the State withstood with full success the first onslaught of private capital. During the rapid development of the last two years, the correlation of economic forces created by the revolutionary upheaval has systematically advanced in favour of the Government. Now, when the position is consolidated by the very fact that the big industries have begun to work to 100 per cent. of their capacity, there can be no ground for the fear of unexpected events, at any rate in regard to the home factors of our economics.

## v

With regard to "contact," that is to say, to the combined economic work of town and rural districts the control figures give the most important and hence the most convincing particulars.\*

The control figures show us that the peasantry place on the market less than a third of their total produce and that this volume

\* In this and in other instances I do not mean to imply that all the particulars of the table of control figures are new, but that they have been verified, renewed and included in a system embracing the whole of the national economy. This is what makes them so interesting.

of commercial agricultural produce forms over a third of the whole of the trade turnover.

The value of the industrial and marketed agricultural commodities constitute approximately 37 and 63 per cent. This means that should goods be measured not by the piece, pood, arshine, but in roubles, a little over a third of the commodities of the rural districts and a little under two-thirds of those of the town, that is to say, of manufactures, would be included in the goods turnover. This is due to the fact that the rural districts satisfy their own needs to a large extent outside the market, while the towns place nearly all their produce on the market. More than two-thirds of the consumption of the scattered peasant holdings is excluded from the market, and only the lesser third has an influence on the economics of the country. Industry, on the contrary, by its very nature, directly participates with the whole of its products in the total national turnover, for the "natural" turnover within industry itself (through the trusts and syndicates), while decreasing the commercial produce by 11 per cent., not only does not decrease, but by

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simplifying the turnover, increases the importance of industry in the general economic process. However, if the "naturally" consumed volume of agricultural produce has no influence on the market, it does not necessarily mean that it has no influence on economics. Under given economic conditions it forms the necessary rear of the commercial third of peasant production. This third, in its turn, forms the value for which the rural districts demand the equivalent from the towns. Hence, the gigantic economic importance of peasant production as a whole, and its commercial third in particular, becomes clear. The realisation of crops and, more particularly export operations, enter as chief factors into the annual economic balance sheets. The further we proceed the more does the machinery of exchange become complicated. The question is not limited by a long way to the exchange of a given number of poods of peasant grain for a given number of arshines of printed cotton. Our economic system has become part of the world system. This has made new links in the chain of exchange. Peasant grain is exchanged for foreign gold.

Gold is exchanged for machinery, implements and other requisite articles of consumption for town and village. Textile machinery acquired for gold and paid for by the export of grain, provides new equipment for the textile industry and thus lowers the prices of fabrics sent to the rural districts. The circle becomes very complicated, but the basis remains the same—a certain economic relation between town and village.

We must not for a moment forget, however, that this relation is dynamic, and that in this complicated dynamic process, *the directing principle is industry*. This means that if agricultural production and, more particularly its commercial volume, marks out certain boundaries for the development of industry, these boundaries need not necessarily be hard and fast ones. It means that it is possible for industry to expand, not merely to the extent of the increase in crops, but beyond it. Leaning chiefly with its light flank on rural production and developing by its growth, industry increases in power as a market for its own needs.

At the present moment when agriculture



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and industry are completing their process of recovery, the motive power of progress will belong more than ever to industry. The problem of the socialist influence of the town over the rural districts by the supply to the villages not only of cheap articles, but of the more perfected agricultural implements requiring collective methods of work, now confronts industry in all its concrete reality and vastness. Agriculture will be reconstructed on socialist lines through the medium of co-operation not merely as a bare system of organisation, but through co-operation plus scientific methods of cultivation, electrification and technical improvements generally. This means that the technical and socialistic progress of agriculture are inseparable from the growing preponderance of industry in the economic life of the country.

### VI

The output of industry for the year 1924-25, has exceeded the output of the previous year by 48 per cent. Next year an increase of 33 per cent. over the present

year is anticipated, that is, if we leave a possible drop in prices out of consideration. The different industrial enterprises are not by any means developing at the same rate.

The big enterprises have grown in the present year by 64 per cent. The second group, which we might conditionally term the medium enterprises, have grown by 55 per cent. ; the small enterprises have increased their output only by 30 per cent. We have consequently reached conditions when the predominance of the big enterprises over the medium and small is very strongly manifested. This, however, does not mean that we have achieved all the possibilities of socialist economics. In relation to the greater output of the big enterprises as compared with the medium and the small, we are only achieving that predominance of big enterprises which they have even under capitalism. The standardisation of products on an all-national scale, a rationalisation of the productive processes, a specialisation of enterprises, the conversion of whole factories into huge parts of one single manufacturing

body of the entire Union, a constructive linking-up of the productive processes of all the branches of industry, both in the raising of raw material and manufacturing—these are the fundamental industrial problems of socialism we are only commencing to approach. Here, there open up immeasurable possibilities, which in the course of a few years might enable us to advance far beyond our old standard. This is, however, a problem of the future and we will examine it later on.

Up to now we have used the advantages of the State management of economics not in production itself, that is to say, in the organisation of its material processes, but in regard to industrial distribution—in the supply of the different industries with raw materials, equipment and so on, or, to use commercial language, in supplying the floating and in part, the basic capital. Unfettered by the limitation of private property, the State has been able through the State Budget, the State Bank, the Industrial Bank, etc., to direct the available resources where they were most needed for the reconstruction or

development of the economic process. This advantage of socialist management has actually saved us in the past years. Notwithstanding the oft-times grave miscalculations and mistakes in the distribution of resources, we have, nevertheless distributed them incomparably more rationally and economically than would have been the case under an unrestricted capitalist process of recovery of productive forces. This alone has enabled us in so short a space of time to attain our present standard without foreign loans. But this does not exhaust the question. The economy, and, consequently, the expediency of socialism was manifested in the fact that it had freed the process of economic recovery from the additional charge of the up-keep of parasitic classes. We have reached a position when we are approximating to the productive standard of 1913, while the country is considerably poorer than it was before the war. This means that we are attaining corresponding productive results without the burden of the upkeep of a monarchy, a nobility, a bourgeoisie, ultra-privileged intellectual classes, and lastly, without the obstructive friction of the

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capitalist machine itself.\* It was owing to this socialistic method in particular that we were able, with the limited means at our disposal, to mobilise much more of them for productive purposes, thereby preparing for a more rapid growth in the standard of life of the population in the next stage of our development.

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Thus, from the nationalised land, cultivated in small holdings by the peasants, we have commercial produce consisting of a little over a third of the goods turnover. The socialised capital of agriculture barely reaches 4 per cent.

\* Deposit and current accounts in the year 1924-25 averaged no more than 11 per cent. of the 1913 figure. By the end of next year it is estimated that they will increase to 36 per cent. This is one of the striking indications of the small amount of our savings. But it is particularly the fact that while our deposit and current accounts formed only 11 per cent. of the pre-war we have been able to bring our industries to almost three-fourths of the pre-war standard that shows that the workers' and peasants' State has utilised the public resources more economically and rationally than a bourgeois régime.

The slower development of transport in comparison with agriculture and industry is due to the fact that before the war the weight of exports and imports was considerably greater than it is now. This again shows that we are approaching the pre-war standard in industry with much lesser national resources and less public expenditure than in 1913.

We have industries, the socialised basic capital of which equals 89 per cent., supplying over 79 per cent. of the total industrial products. The 11 per cent. of the non-socialised means of production consequently turn out over 20 per cent. of the total products.\* The proportion of State industries is thus seen to be growing.

The railways are nationalised to the extent of 100 per cent. The work of transport is continually expanding. In the year 1921-22, it formed about 25 per cent. of the pre-war figure; in 1922-23, 37 per cent.; in 1923-24, 44 per cent., and, finally, in 1924-25, it will form over half the pre-war figure. The freight-turnover for next year is estimated at 75 per cent. of the pre-war figure.

As regards trade, the socialised, that is to say, the State and Co-operative resources, form about 70 per cent. of the aggregate

\* This dissimilarity in the means of production and in production itself, is due mainly to the difference in the organic composition of capital. Naturally, equipment in the small and home industries is insignificant compared to the man-power, which is not taken into account. To this must be added the fact that our big enterprises, such, for instance, as the big metallurgical industries, are, by a long way, not yet working to their full capacity.

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capital turnover, and this proportion is continually increasing.

Foreign trade has been socialised completely; the State monopoly of it is the solid foundation of our economic policy. The aggregate turnover of foreign trade is expected to increase in the next year to 2,200,000,000 roubles. The proportion of private capital represented in this turnover, even including contraband goods, which should be included, will hardly reach 5 per cent.

The banks and the entire credit system have been socialised practically by 100 per cent. And this vast and expanding machinery is growing more and more capable of mobilising the financial resources for the needs of the productive processes.

The State Budget has increased to 3.7 milliard roubles, forming 13 per cent. of the aggregate national income (29 milliard roubles), or 24 per cent. of the goods volume (15,200,000,000 roubles.) The Budget is becoming more and more a powerful lever for the raising of the economic and cultural life of the country.

Such are the control figures of the State Planning Commission.

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These figures have a universal historic significance. More than a century of continuous activity on the part of socialists, commencing with Utopias and passing to scientific theory, has at last given birth to a great economic experiment, which has been going on for almost eight years. All that has been written regarding socialism and capitalism, freedom and oppression, dictatorship and democracy, has passed through the furnace of the October Revolution and Soviet economic experiment, and appears before us in a new, incomparably more concrete form. The figures of the State Planning Commission work out—it may be roughly and provisionally—the first sum total of the first chapter of the great experiment of the transition from a bourgeois to a socialist community. And this sum total is in favour of socialism.

No country has been so ruined and exhausted by a series of wars as Soviet Russia.



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All capitalistic countries which had suffered most from the War have, without exception, recovered by the help of foreign capital. It was only the land of the Soviets, the most backward in the past, the most ruined and exhausted by wars and the revolutionary upheaval, that has risen from complete poverty by her own efforts, surrounded by the active opposition of the entire capitalistic world. It was owing to the complete elimination of landlordism and bourgeois ownership of property, it was owing to the nationalisation of all the principal means of production, it was owing to the State socialist methods of the mobilisation and distribution of the essential resources, that the Soviet Union has risen from chaos, and as an ever-growing factor, is penetrating the world economic system. From the control figures of the State Planning Commission there stretch unbreakable threads to the past, to the Manifesto of the Communist Party of Marx and Engels, and also to the future—to the Socialistic future of humanity. The spirit of Lenin pervades these columns of dry figures.

## II

### WE AND THE CAPITALIST WORLD

THE attainment of the pre-war standard, both of quality and quantity, under existing historic conditions, will be a gigantic achievement. To this question our first chapter was devoted. But this achievement brings us only to the "start" of our actual economic competition with world capitalism.

The concluding lines of the explanatory notes of the State Planning Commission formulate the following general programme: "To hold on firmly to the conquered positions and every year to advance successively towards socialism, if only *a step at a time*, whenever economic conditions make it possible." Taken literally, these lines might induce false conclusions. To advance towards socialism every year "a step at a time" may be taken to mean that the rate of advance is unimportant

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—once the wind is set towards socialism, we shall get there anyhow. Such a conclusion would be fundamentally wrong; the State Planning Commission never meant the words to be taken in that light. As a matter of fact, the whole question lies in the rate of advance. It was only because State industry and trade developed more rapidly than private enterprise that the socialist equilibrium was achieved in the period we have passed through. A like relation must be preserved in the future. But what is still more important is the rate of our development as compared to the development of world economics. The explanatory notes of the State Planning Commission have not so far touched on this question. Consequently, it is the more necessary for us to consider it, as this new standard will serve as a means of measuring our successes and failures of the near future, just as "the pre-war standard" has done in the past, during the period of reconstruction.

It is evident that with our inclusion in the world market not only our opportunities will grow, but our dangers likewise. The dangers all come from the same source—the

split-up condition of peasant agriculture, the technical backwardness of our industries, and the still great industrial preponderance over us of world capital. This simple admission of fact does not imply that the socialist régime with its socialist methods of production and its tendencies and possibilities are not stronger than those of capitalism. A lion is stronger than a dog, but an old dog may be stronger than a young lion cub. The best insurance for a young lion cub is to grow up and to have strong teeth and sharp claws. This only requires time.

What, particularly, makes old capitalism so far prevail over young socialism? It is not because of the riches it possesses, nor the gold it keeps in cellars, nor the volume of accumulated and stolen wealth. Past accumulations of wealth may have their importance, but they are not the determining factors. A living society cannot exist on old accumulations; it feeds on the products of living labour. Despite all her riches, ancient Rome could not withstand the onslaught of the "barbarians," when they developed a higher productive capacity than that of her

decaying régime of slavery. The bourgeois society of France, roused by the Great Revolution, simply looted the wealth accumulated from the Middle Ages by the aristocratic town communities of France. Were output in America to fall below the European standard, the nine milliards of gold kept in the cellars of her banks, would not help her. The economic superiority of bourgeois states lies in the fact that so far capitalism produces cheaper goods than socialism and of a better quality. In other words, the output, so far, is still much higher in countries living by the inertia of old capitalist civilisation than in a country which has only just begun to adopt socialist methods under inherited uncivilised conditions.

We know the fundamental law of history—in the end that régime will conquer which ensures human society a higher economic standard. The historic contest can be decided not immediately, and not at a single stroke, only by the comparative coefficients of output.

The crux of the problem is this: in what

direction and to what extent will the comparative value of our economics and the capitalistic change within the next few years ? We can compare our economics with capitalist economics in various ways. Capitalist economics are by nature multiform. Comparison may be static, that is to say, it may proceed from the economic position of the actual moment, and dynamic, based on a comparison of the rates of development. We can compare the national income of capitalist countries with our own. And we can compare the coefficients of productive development. All these comparisons have varying degrees of importance ; all we need is to comprehend their relation and dependence on one another. Below we give some examples—only to illustrate our meaning, nothing more.

In the United States of America the capitalist process has reached its highest point. To estimate the actual material supremacy of capitalism as compared with socialism, it is instructive to analyse it at its highest.

The council of the congress of American

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industries has recently issued a table from which we will quote a few figures. The population of the United States, which forms about 6 per cent. of the population of the globe, produces about 21 per cent. of the grain, 32 per cent. of other cereals, 52 per cent. of the cotton, 53 per cent. of the wood products, 62 per cent. of the cast iron, 60 per cent. of the steel, 57 per cent. of the paper, 60 per cent. of the brass, 46 per cent. of the lead, and 72 per cent. of the oil of the world. The United States own a third of the world's wealth. America possesses about 38 per cent. of the hydraulic power of the world, 59 per cent. of the telegraphic communication and telephone wires, 40 per cent. of all the railways, and 90 per cent. of the motor vehicles.

The generating power of our electrical stations for public supply will reach 775,000 kilowatt in the coming year; last year this supply in America reached 15,000,000 kilowatt. The generating power of our electrical stations for industrial supply, according to the returns of 1920, was 1,000,000 kilowatt; in the

United States for the same year, it was 10,500,000 kilowatt.

The total output is expressed in the national income, the estimation of which, as we know, presents great difficulties. According to the figures of our Central Statistic Board, the national income of the Soviet Union for the year, 1923-24, averaged 100 roubles per head; in the United States of America the average is 550 roubles per head. Foreign statisticians, however, put the figure not at 550, but at 1,000 roubles per head. This means that output conditioned by equipment, organisation, custom, etc., is, on an average, ten times, or at least six times higher in the United States than it is with us.

These figures, important as they are, in no way determine our defeat in the historic contest; not only because the capitalist system is not limited to America, nor because there are forces engaged in the struggle which have been generated by preceding economic development, but because, in the first place, the future curve of economic development in America herself is an unknown quantity. The productive forces of the United States



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are not by a long way utilised to their fullest capacity, and non-utilisation of the productive capacity means a lowering of the productiveness of labour. The United States are not by a long way assured of markets. The problem of selling confronts them in all its acuteness. It is quite within the bounds of possibility that in the near future productivity on either side will be equalised by an increase in our own productiveness and a decrease in that of America. To a much greater extent does this apply to Europe, the productive standard of which is considerably lower than that of America.

One thing is clear; the superiority of capitalist technical science and economics is still enormous; the ascent before us is steep; the problems and difficulties are truly vast. To find a way and to mark it out is only possible with the measuring instruments of world economics in our hands.

THE COMPARATIVE COEFFICIENTS OF  
THE WORLD'S ECONOMICS

The dynamic equilibrium of Soviet economics is not in any sense the equilibrium of a self-contained and self-sufficient whole. On the contrary, as time goes on, internal economic equilibrium will become more and more dependent on export and import. This circumstance must be fully examined, and every possible conclusion drawn from it. The more we become part of the system of international division of labour, the more directly will such elements of our home economics, as prices and the quality of our goods become dependent on the corresponding elements of the world market.

Up to the present day, we have been developing our industries with the pre-war standard always before us. For all comparisons and the determination of values of our production, we use the price lists of 1913. But now that the early reconstruction period when such comparison, though imperfect, but admissible, is coming to an end, *the whole question of gauges for our economic develop-*

*ment has moved on to a new plane.* Henceforth, we must know definitely at any given moment to what extent our production, in quantity, quality and price, is behind the production of the European or world market. The close of the reconstruction period will definitely permit us to throw aside our own 1913 catalogues, and to arm ourselves with the present-day catalogues of German, English, American and other firms. We shall have to deal with new indices, expressing the comparison of our production, both in quality and price, with those of the world market. These new gauges, these new coefficients, not on a national but on a world scale, will be the only ones competent to register the different stages of the process described by Lenin in his formula—"Which is going to score?"

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In the antagonistic conditions of world economics and world politics all depends on the rate of our development, that is to say, the rate of the quantitative and qualitative growth of our output. To-day our backwardness and poverty is an undoubted

fact, which we do not deny, but emphasise in every way. A systematic comparison with world economics will therefore only bear this out in plain figures. Is there not a danger in the near future that when we shall have barely risen firmly to our feet the world market will crush us by the immense superiority of its natural resources? To a question thus put, there can be no definite, incontestable answer, particularly in figures, as there can be none to the question as to whether individualistic tendencies in farming (of the rich and greedy peasants) will not tempt the smaller holders, thus paralysing the ascendancy of the proletariat over the peasants and creating political obstacles to socialist development. Similarly it would be impossible to give a categorical answer to the question as to whether capitalism will succeed—should its temporary and very relative tenacity continue to mobilise against us serious armed forces and by means of a new war check our economic progress. Here the problem is one of struggle, where creativeness, manœuvring, energy and such-like factors play an enormous and sometimes decisive part.

Examination of these questions does not enter into the scope of the present work, in which we are attempting to determine the inner tendencies of economic development, separating them as far as possible from other factors.

Anyhow, in reply to the question as to whether the world market would not crush us by its superior economic weight, we may say that we are not by any means defenceless ; our economics are safeguarded by special national institutions, adopting an all round system of socialist protection. How far, however, is this system efficacious ? This we may find out from the history of capitalist development. For long periods, Germany and the United States of America industrially lagged behind England, to such an extent which seemed insurmountable. Natural and historic circumstances later permitted these backward countries, under the cover of protective tariffs, to overtake and even to pass the country ahead of them. National boundaries, national power, and tariff systems were powerful factors in the history of capitalist development. This

applies in a much greater degree to a socialist country. A carefully conceived, persevering and adaptable system of socialist protection becomes more important for us as our relations with capitalist markets become more extensive and involved.

It need hardly be said, however, that protection expressed at its highest in our foreign trade monopoly, is not all-powerful. Protection makes it possible to withstand the pressure of the volume of goods from capitalist countries by regulating it in accordance with the requirements of home production and consumption. In this way protection is able to ensure socialist industries the period necessary for raising their productive standard. Without a monopoly of foreign trade, our reconstructive process would be impossible, but, on the other hand, it is only our actual productive achievements which permit us to maintain a system of socialist protection. Later on also the monopoly of foreign trade while safeguarding our home industries from foreign impacts which they are not yet strong enough to withstand, will not be able, of course, to take the place of the actual expansion of industry

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itself, which will henceforth be measured against the coefficients of the world market.

At present, our comparison with the pre-war standard relates only to quantity and prices. A product is taken, not for its consistency, but for its name. This, of course, is wrong. Comparative industrial coefficients must embrace questions of quality. Failing this, they may become sources and instruments of self-deception. In this connection we have had experience of reduced prices which in some cases have been counterbalanced by a lowering of quality. Given uniformity of quality in a particular commodity of our own and foreign production, the comparative coefficient is determined by the difference of cost price. Given the same cost price, the coefficient is determined by the difference in quality. Lastly, given a different cost price and quality, the valuation of the one and the other must be combined. To ascertain the cost price is a matter of industrial calculation. The quality of a commodity is ascertained, as a rule, with the help of several factors. A classic example is the electric lamp, the quality of which is determined by the length of time it serves,

the amount of power it uses, and the evenness of its light distribution.

The establishment of definite technical norms and productive standards, including standards of "quality" considerably simplifies the working out of the comparative coefficients. The relation between our standards and the standards of the world market will be a constant quantity for each given period of time. All we need to know is whether our product comes up to the established standard. As regards value comparisons, when once the relative qualities have been ascertained, the question is easily solved. A combined coefficient is arrived at by means of simple multiplication. If some commodity of ours were to be twice inferior to a foreign commodity and one and a half times dearer, the comparative coefficient would be one third.

To say that we do not know foreign cost prices is true, but is of secondary importance to the matter under consideration. It is enough for us to know the price quoted in the catalogue. The difference between the cost price and the selling price constitutes profit. A reduction of our own cost prices



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will enable us to make our selling prices level with those of the world market, irrespective of foreign cost prices. This will be in substance a solution of the vital question of the coming period. After that, a third period will commence—not immediately, it is true—the task of which will be to replace capitalist products on the world market with the products of socialist economics.

It is sometimes objected that the number of commodities is so great that the working out of the comparative coefficients is an “insuperable” task. To this we may give a two-fold reply. In the first place, all commodities, no matter of what kind, form part of a calculation, and are entered into books and catalogues, and there is nothing insuperable in these tasks, despite the large number of commodities involved. In the second place, it is possible to limit ourselves in the beginning to the most important articles of mass consumption, the junction articles of each manufacture, so to speak, assuming that the remaining articles occupy the intermediate place in the system of comparative prices.

Another objection is based on the difficulties

of gauging or even determining the quality. As a matter of fact, what is it that determines the quality of cotton fabric? Is it the durability, the weight of cotton in a square yard, the fastness of colour, the attraction to the eye? The difficulty of gauging the quality of most articles cannot be denied. Nevertheless, the problem is not insoluble. All that is necessary is that we should not approach it with preconceived absolute criteria. In regard to cotton fabric intended for the peasants' and workers' market, durability takes the first place, and fastness of colour the second. If we measure these two moments—and it is possible to do this by strictly objective methods—we obtain a main description of quality expressed in quantity. It is even easier and simpler to give an exact, that is to say, a quantitative expression to the comparative coefficients of our ploughs, our thrashing-machines, our tractors, and similar implements of American manufacture. This question will, in the next few years, be as important for agriculture as the renewal of basic capital for industry. In the buying of a horse or a cow, the peasant

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himself determines (and with remarkable accuracy !) the essential "coefficients." In the buying of a machine, he is almost helpless. Having burnt his fingers on a bad gear, he passes on his terror even to his neighbours at the buying of a machine. It is essential that a peasant should be quite sure what kind of machine he is buying. A Soviet thrashing-machine should have its trade passport, which should form the basis of the comparative coefficient. The peasant would then know what he was buying and the State would know the relation between our product and the American.\*

The idea of comparative coefficients, which, at first glance, may seem abstract and, perhaps, pedantic, is, in actual fact, very vital, and is literally forced out of the prevailing conditions of economics, and even out of all the holes and crevasses of everyday life. Our pre-

\* In the foregoing illustration, we did not mean to imply that the idea of comparative coefficients is opposed by interested groups. On the contrary, our producers, workers engaged in national trade, co-operative and scientific institutes, are all very sympathetic towards the idea, which springs out of our whole economic development. Work in this direction has already been begun by means of a Special Conference on quality of production, and by our scientific institutes.

sent comparative coefficients, calculated in relation to the pre-war standard, also possess not only theoretic but practical foundations. Our mass consumer, having no access to statistical tables and price curves, uses his memory and refers also to that of his family with regard to consumption. A statistical table tells of definite percentages to the pre-war standard, arrived at almost entirely from the quantitative side, while the consumer's memory adds: "Before the war" (that is to say, the Imperialist war), "a pair of boots cost so many roubles, and lasted so many months." Every time he buys a pair of boots, the comparative coefficient flashes across his mind. Every buyer makes that calculation—be it the Leather Trust purchasing machinery from the Voronej or Kiev engineering works, or a peasant woman buying three yards of printed cotton in the market place, with the difference only that the Trust refers back to catalogues and ledgers, and the peasant woman to her memory. And it must be admitted that the comparative coefficients of the peasant woman, based on actual experience of life, are sounder

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than the coefficients of the Trust, calculated hurriedly, nearly always without regard to quality, and sometimes with some preconceived idea. Somehow or other, statistics, economic analysis, and the consumer's daily exercise of his memory have all arrived at the necessity of finding a starting point in the conditions of pre-war economics.

This peculiar national limitation, with an eye always to the past, is now coming to an end. Our connection with the world market is even now sufficiently developed to induce at every step a comparison of our goods with foreign goods. And in accordance with the measure in which comparisons with the old will cease, as the remembrance of old products will fade from the mind, particularly among the younger generation, new comparisons will become more vivid, being based not on memory, but on the vital facts of daily life. Our business men, returning from abroad, bring with them proposals of definite firms for definite goods, as well as catalogues of different firms, not to mention their own personal experience as consumers. The question, unknown in the past year, as to

the price at which an article is sold abroad, and how far its quality differs from a similar article of our own manufacture, is asked now on all sides. Visits abroad will increase in frequency. By one or other means we must introduce our trust directors, factory and works managers, the best among our technical students, foremen, fitters and qualified workers to foreign industry, not all at once, of course, but in turn. The aim of visits of this kind would be to furnish the main body of our economists and industrialists with an opportunity of investigating at first hand every unfavourable "comparative coefficient," in order the better to turn it to our own advantage.

It would be bureaucratic unimaginativeness to suppose that the process of orientation towards the West is limited to the leaders of the economic life. On the contrary, the process is one of mass psychology, embracing in various ways the bulk of consumers. Contraband plays no small part in this respect and should not be disregarded. Contraband, though not commendable, still forms an actual part of economic life, being, moreover, based entirely on comparative coefficients of world

economics; a contrabandist brings into the country only those products of foreign manufacture which are cheaper and better than our own. The struggle for the improvement of the quality of our products, by the way, thus becomes the surest way of combating contraband, which is now sending millions of gold currency out of the country. Contraband flourishes mostly on small articles, but it is the very smallness of the wares which causes them the more readily to penetrate into the pores of our daily life.\*

There is one more branch of industry which has never ceased to be compared with foreign production, and that is agricultural machinery and implements. The peasant used to be familiar with the Austrian scythe, and always compared it with our own. He knew the American MacCormick, the Canadian Harris, the Austrian Heid, and others. Now that agriculture is developing and there is a new demand for agricultural machinery and implements, these comparisons are reviving with the addition of the fresh comparison of

\* A study of contraband goods is very important, both from the productive and national economic points of view.

the American Ford with our own make. When a peasant buys a horse thrashing-machine and the inferior iron gear wears away in a few hours before his eyes, he registers the fact in his mind with a very high coefficient of profanity indeed.

As regards the industrial worker, the latter is brought up against the comparative coefficient, not by the things he produces, but by those he uses for production and in part for consumption. He knows the quality of American and Russian lathes, instruments, cast iron, measuring instruments, etc. It need hardly be said that a well-qualified worker understands the question of quality very well, and that one of the tasks of an industrial education is to make him understand the more.

Enough, we think, has been said to show that the comparative coefficients of world production are not figments of our imagination, but a practical question of greatest importance, reflecting the new problems of our economic development.

Such a system of comparative economics to-day would give us the present-day transversal section of our economics in the light of the



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achievements of world economics. The arrival at an average coefficient of all products would mean an arrival at the exact degree of our backwardness in technical science and production. A periodic measuring of coefficients of goods and average coefficients would show us a picture of our achievements, and would gauge the rate at which we had arrived at them in the different branches of our industries and in industry as a whole.

Driving in a cart, we measure the miles by the eye or by hearsay; a motor-car has a speedometer. In the future our industries must advance with an international speedometer, the register of which shall be our guide, not only in the important economic measures we introduce, but also in many of our political decisions. If it is true that the success of a régime depends on increased production—and for us Marxists, this is an axiom—then an exact quantitative and qualitative measurement of the production of Soviet economics is needed, not only for present market purposes, but also in order to estimate the successive stages of the historic road we are following.

### III

## THE RATE OF DEVELOPMENT AND ITS MATERIAL LIMITATIONS AND POSSIBILITIES

**I**N the years from 1922 to 1924 our general industrial revival was mainly dependent on the light industries. In the current financial year, predominance is passing to the branches of industry turning out implements of production. However, even the latter are reviving only to the extent of the utilisation of old capital. During the coming financial year when the basic capital inherited from the bourgeoisie will be working to its full capacity, we shall commence extensive operations in the renewal of basic capital. The whole of the capital expenditure the State Planning Commission makes provision for amounts to 880,000,000 roubles on industry (including electricification); 236,000,000 roubles on transport, 365,000,000 roubles on housing and other

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buildings, 300,000,000 roubles on agriculture, making a total of over 1,800,000,000 roubles. The new capital included in this sum, that is to say the new savings of the whole economic system, amount to over 900,000,000 roubles. These provisional estimates, not yet finally revised, show a big advance in the distribution of the material resources of the country. Up to the present, we have been working on existing basic capital with small additions. In the future, we shall have to create new basic capital. This constitutes the fundamental difference between the coming economic period and that which is now passing.

In the view of individual business men, say directors of trusts, the rate of development may appear to correspond to the amount of credit obtainable from the banks. "Give me so many millions and I'll put up a new roof, new lathes, increase output tenfold, halve cost prices, and bring quality up to European standard." How many times have we heard this said! But the point is that financing is by a long way not the primary factor. The rate of economic development is determined by the material conditions of

the productive process itself. This is very appropriately emphasised in the explanatory notes of the State Planning Commission. "The universal limit of the possible rate of economic development," it is said in the notes, "a limit conditioning all the separate limiting factors, is the amount of national saving in material form, that is to say, the aggregate newly-created wealth which remains after having covered the needs of simple reproduction, thus forming a basis for extended reproduction and reconstruction."

Bank-notes, shares, bonds, bills of exchange and other "securities" do not matter in themselves in the scope and rate of our development; they are only auxiliary implements for the calculation and distribution of material values. Of course, from the individualistic, capitalist point of view, and the view of individualistic economics in general, these securities have an independent importance of their own, for they ensure the possessor of a certain amount of material values. But from the national economic point of view, which in our conditions closely approximates to that of the State, securities in themselves add

nothing to the actual volume of goods, which serves as a basis for the expansion of production. This actual basis, in consequence, must be our starting-point. The financial resources directed through the Budget, the banks, loans for economic reconstruction, the industrial fund and so on, are only a means of distributing among the various branches of economics the corresponding material products.

Before the war, our industry developed, on an average, at the rate of 6 or 7 per cent. annually. The coefficient, we must admit, is high. It seems negligible, however, when we compare it with the coefficients of the present day, when industry is expanding at the rate of 40 or 50 per cent. annually. Nevertheless, it would be a stupid mistake simply to compare these two coefficients of growth. Up to the War, the expansion of industry consisted mainly in the building of new factories. At the present time, expansion consists to a much larger degree in the utilisation of old works and old machinery. Hence we have this tremendous rate of growth. We must naturally expect that with the completion of the process of recovery, the

coefficient of growth will be considerably reduced. This circumstance is of special importance, since it determines, to a considerable extent, our position in the capitalist world. The struggle for our socialist "place in the sun" must inevitably become a struggle for the highest possible coefficient of productive growth. The basis, and at the same time, the "limit" of this growth is, after all, the volume of material values.

But if this is the case, if the process of recovery re-creates, in fact, the old relationship between agriculture and industry, between the home and foreign market (the export of grain and raw materials, import of machinery and fabrics), does it not mean that it will also re-create the pre-war coefficient of growth, and that our present 40 to 50 per cent. will fall to the pre-war 6 per cent.? It is, of course, impossible to give a definite answer to this question. Nevertheless, we say with confidence that possessing a socialist state, nationalised industry and increasing regulation of the basic economic processes, including exports and imports, we can still maintain the coefficients of growth

even after we have attained the pre-war standard, going far beyond the latter and the average coefficient of a capitalist country.

In what do our strong points consist? We have already enumerated them.

In the first place, we have practically no parasitic classes. Actual accumulation before the war amounted not to 6 per cent., but at least to twice as much per year. But only half of it was used productively, the other half being rapaciously wasted by parasitic classes. Thus, the mere abolition of the monarchy, the bureaucracy, the nobility and the bourgeoisie, given other necessary conditions, ensures us an increase in the coefficient of growth of not 6 but of 12 per cent., or 9 to 10 per cent. at least.

In the second place, the knocking down of individualist capitalist fences makes it possible for the State at any given moment to mobilise with perfect freedom the necessary resources required by any economic unit. Unproductive charges of parallel enterprises, competition, etc., have been largely eliminated and will be still further eliminated as time goes on. It was only owing to these

circumstances that we have been able without foreign help to recover so quickly in the last few years. In future, the planned distribution of forces and resources alone will make it more possible to obtain greater productive results with the same expenditure of resources than would be possible in a capitalist community.

In the third place, the planning principle which we have barely commenced to introduce in the technical side of production (standardisation, specialisation of factories, the combination of factories into a single industrial organisation) promises a serious and ever growing increase in the coefficient of our production in the near future.

In the fourth place, a capitalistic community lives and develops by alternate periods of prosperity and crises, which in the years since the war have assumed a most unwholesome, spasmodic character. It is true that our economics, too, are not free from crises. Moreover, our growing contact with the world market, as we shall show later, is a possible source of crises in our own economics. Nevertheless, increased provision and regulation in the planning of production



will considerably alleviate the periods of crises in our development, and thereby ensure additional accumulations of wealth.

Such are the four strong points which have already markedly influenced our development in the past years. Their import does not lessen ; it will, on the contrary, grow with the conclusion of the process of recovery as a whole. If properly utilised, they will make it possible in the next few years to increase the coefficient of our industrial growth, not only doubling, but trebling the pre-war 6 per cent. and perhaps going even beyond that.

This, however, does not exhaust the question. The advantages of socialist economics which we have enumerated will make their influence felt not only on the home economic processes ; they will be greatly strengthened by the possibilities opened up by the world market. We have already examined the dangers resulting from the entry into the world market. The capitalist market, however, is not only fraught with dangers for us ; it also opens up immense opportunities. It provides a widening access

to the highest achievements of technical science and the most complex articles of production. The world market, drawing socialist economics within its orbit, creates new dangers for socialism, but at the same time it gives to the socialist state which properly regulates its turnover, powerful means of counteracting these dangers. By a wise utilisation of the world market we shall be able to a great extent to speed up the evolutionary process of the comparative coefficients to the advantage of socialism.

Of course, as we advance, we must strictly gauge the bed of the river, considering that this is the first passage of the socialist state across that river. But all the facts indicate that the farther we go, the deeper and broader will the channel become.

#### IV

### SOCIALIST DEVELOPMENT AND THE RESOURCES OF THE WORLD MARKET

**F**ROM the national economic standpoint as opposed to the individual economic standpoint, securities in themselves cannot accelerate productive development, just as the shadow of a person cannot add to his height. From the international economic point of view, however, the question appears quite different. American bank-notes in themselves cannot produce a single tractor, but should the Soviet Government possess a goodly amount of these, it would enable us to import tractors from the United States.

In relation to world capitalist economics, the Soviet Government acts as a big private property owner ; it exports its goods, imports foreign goods, uses credit, buys foreign technical support, and, finally, attracts private

capital by the formation of mixed companies and the granting of concessions.

The "restorative" process has also restored our position on the world market. We must not, therefore, forget for a moment the great mutual dependence which used formerly to exist between the economics of capitalist Russia and world capital. We must just bring to mind the fact that nearly two-thirds of the technical equipment of our works and factories used to be imported from abroad. This dependence has hardly decreased to any considerable extent in our own time, which means that it will scarcely be economically profitable for us in the next few years to produce at home the machinery we require, at any rate, more than two-fifths of the quantity, or at best, more than half of it. If we were suddenly to shift our resources and forces to the making of new machinery, we would either destroy the necessary proportion between the different branches of economics and between the basic and circulating capital in a given branch, or, if we maintained the proportion, we should be greatly decreasing the whole coefficient

of development. And for us, a decrease in the rate of development is infinitely more dangerous than the importation of foreign machinery or of the foreign goods we require in general.

We make use of foreign technical science and foreign productive formulæ. Our engineers, in increasing numbers, visit Europe and America, and those of them who are sharp-sighted bring away everything that can possibly speed up our economic development. We are now proceeding more and more by simply buying foreign technical assistance, as we tie up our trusts with outstanding foreign firms, which undertake to develop in our country in a stipulated time the production of particular commodities.

The great importance of foreign trade for our agriculture is evident. Mechanical methods, involving collective cultivation, will go hand in hand with the growth of export. In exchange for our agricultural produce we receive agricultural machinery or machinery for the production of agricultural machinery.

But the question is not only one of machinery. Every foreign product which is able to fill a certain gap in the system of our

economy, be it raw material or a partly manufactured commodity, or an article of consumption, can, under certain conditions, help our economic work, increasing the rate of our development. Of course, the import of articles of luxury, articles of parasitic consumption, will only retard our development. But a timely importation of one or other commodity of consumption, in so far as it serves to establish the necessary equilibrium on the market and to fill up the gap in the workers' or peasants' budget, will only accelerate our economic progress.

In our foreign trade, conducted by the State, adaptable and supplementary to the work of the State industries and home trade, we have a powerful means of speeding up our economic development. Of course, our foreign trade will become the more productive in results the greater the credit facilities it is able to create for itself on the world market.

What does foreign credit do for our economic development? Capitalism makes advances to us against our savings which do not yet exist, but which we are still to accumulate within one, two, or five years. As a result, the foundations

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of our development are extended beyond the limits of our actual savings of to-day. If by the help of European technical formulæ we are able to speed up the process of our production, we can speed it still more by the help of European or American machinery obtained on credit. The dialectics of historic development have resulted in capitalism becoming for a time the creditor of socialism. Well, has not capitalism been nourished at the breasts of feudalism ? History has honoured the debt.

Concessions come into the same category. A concession combines the transfer to our country of foreign plant, foreign productive formulæ, and the financing of our economy by the resources of world capitalist savings. Among the many branches of industry, concessions may and should be given the greatest importance. It is needless to say that the limits of our concessionary policy are the same as those in regard to all individualistic capitalistic forms of industry—the State retains the higher commands and carefully maintains the determining weight of the State industry over the concessionary. But within these

limits, the concessionary policy still has extensive scope.

To the same kind, finally, belong, as a crowning of the whole system, possible State loans. A State loan is the purest form of advance against our future socialist savings. A loan of gold—the commodity of all commodities—enables us to buy abroad manufactured articles, raw materials, machinery, patents, and to engage the best instructors and engineers of Europe and America.

In all that has been said, we see the necessity for us of a more accurate, that is, more systematic and scientific orientation in all questions connected with the world economic turnover. What machinery to import? For what factories? When? What other goods to import and in what order? How to distribute the gold currency funds between the different branches of industry? What specialists to invite? To which branches of the economy to attract concessionary capital? On what scale? And for what period? It is quite evident that these questions cannot be decided from day to day, at a guess, upon the spur of



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some particular economic impetus. The minds of our workers in economic issues are obstinately, perseveringly and far from unsuccessfully, engaged in evolving methods of dealing with the questions enumerated above, and many more inseparably connected with them, the foremost of which is the question of export. The problem is one of preserving the proportion of progress between the main branches of industry and the economy as a whole by means of an opportune inclusion in the proportion of such elements of world economics as will help to speed up development all round. For the settlement of various practical questions arising as a result of this in the elaboration of prospective plans for one year, five years or for longer periods, the system of comparative coefficients will be found to be of invaluable help. If in the main branches of industry the comparative coefficient is particularly unfavourable for us it will necessitate the import from abroad of ready-made commodities, patents, formulæ, new plant ; or we may apply to foreign specialists or invite foreign interests to take up concessions. The foreign policy and the concessions policy

can only take the lead and be properly planned if based on a widely elaborated system of the comparative coefficients of industry.

The same methods will later be applied to the solution of the question of *the renewal of basic capital* and the extension of production. In what branches of industry to renew the plant first? What new factories to build? It is needless to say that wants and demands far exceed possibilities. In what way, then, are we to approach the question?

First of all, we must find out the exact amount of the savings available for the re-equipment of works and for the building of new factories. Our most urgent and vital needs we will cover with our own savings. If the way to other sources is closed to us, then the home savings will determine the scope of the extension of our production.

Side by side with this, it is essential to establish a proper order for dealing with demands from the view of the needs of the economic process as a whole. In this respect the comparative coefficients will immediately indicate the branch of industry to which capital expenditure should be first applied.

Such, in the roughest outline, purposely evading a whole range of complex moments, is our transition to the planning principle in the solution of questions connected with the renewal and extension of the basic capital of industry.

## V

### THE SOCIALISATION OF THE PRODUCTIVE PROCESS

**A** STATE which possesses nationalised industries, a monopoly of foreign trade, the monopoly of attracting foreign capital to one or other branch of its economy, has at its disposal a vast arsenal of resources by means of which it can speed up the rate of economic development. All these resources, however, though resulting from the very nature of the socialist state, do not, as such, so far enter into the productive processes. In other words, had we preserved all the works and factories in their working order of 1913, their nationalisation even under those conditions would have given us enormous advantages by a planned economical distribution of our resources.

The economic achievements of the reconstructive period are due largely to the socialist

methods of productive distribution ; that is to say, to the planned or semi-planned methods of providing the necessary resources to the different branches of the national economy. The possibilities resulting from our relations with the world market have also been examined mainly from the view of the means of production, and not from the inner organisation of production.

We must not, however, for a moment forget that the fundamental advantages of socialism lie in the sphere of production itself. These advantages, utilised by us as yet but to a quite insignificant extent, open up infinite possibilities in the matter of speeding up the rate of our development. The first place must be accorded to actual nationalisation of scientific technical thought and all industrial inventions ; the centralised-planning solution of the problem of power for the economy as a whole and for each area in particular ; the standardisation of all products, and, lastly, the successive specialisation of factories.

The work of scientific and technical thought are not fenced-off private property

with us. Any achievement in organisation and technology of any undertaking, any improvement in a chemical or other formula, immediately become the property of all the works and factories which are interested in it. Scientific and technical institutes are able to test ideas in any of the State undertakings, while every enterprise is at liberty, through the institutes, to utilise for its purposes, at any moment, the collective experience of industry as a whole. Scientific and technical thought is in principle socialised with us. In this respect, however, we have not yet done with conservative partitions, partly theoretic, partly material, which we have inherited with the nationalised property of the capitalists. We are only just learning how to make the most of the possibilities arising from the nationalisation of scientific and technical discoveries. Along this line we might achieve untold advantages in the next few years, which would sum up in a result of the utmost value to us, that of speeding up the rate of our development.

Another source of great economy, and consequently of increased productivity of

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labour, is the sound management of power. The need for motive power is common to all branches of industry, all enterprises, the material activities of man in general. This means that motive power as a common multiplier may more or less be brought outside the brackets of all branches of industry. It is clear that we can achieve enormous economies by making away with all privately owned power, by separating it from the different works with which it was formerly connected only owing to private ownership and not for any reasons of technical, national or economic expediency.

The electrification scheme is only one part of the programme for the nationalisation of fuel and power. Without the adoption of such a programme, the nationalisation of the means of production would not bear its full fruit. Private property, abolished as a legal institution, is still retained in the organisation of these enterprises, which form enclosed little worlds unto themselves. The problem is to make the principle of nationalisation penetrate deeper and deeper into the productive process and into its material and

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technical conditions. We must nationalise motive power in fact. This refers to the existing power-producing plants and yet still more to those we are to create. The combine, Dneprstroy—which it is proposed to create as a combine uniting a powerful electrical station and a range of industries and transport bodies desiring cheap power—is already, in a technical sense, built on the principles of socialism. To enterprises of this type belongs the future.

The next lever of industrial progress is the standardisation of products, not only such as matches, bricks, fabrics, but the most intricate of machinery. We must ignore the arbitrary wishes of the customer when they arise not from his needs, but from his helplessness. Every customer is forced to improvise and to search instead of being able to find ready-made types best adapted to his needs, and scientifically tested. Standardisation must lead to a minimum of types of each product, conforming to the fundamental conditions of the different areas or to the specific nature of the productive requirements.

Standardisation is socialisation carried into



the technical side of production. We see how in this direction technical science in the leading capitalist countries is tearing through the cover of private property, and embarking on what is, in essence, a negation of the principle of competition, "the freedom of labour" and everything connected with it.

The United States have achieved enormous success in the cheapening of production by the means of standardisation of type and quality, and the working out of scientific technical norms of production. "The Division of Simplified Practice" in conjunction with industrialists and consumers interested in the matter, has done much work covering many dozens of manufactured articles, both large and small. As a result, they have evolved 500 different makes of files, instead of 2,300, 70 makes of barbed wire, instead of 650, 3 types of bricks, instead of 119, 76 types of ploughs, instead of nearly 312, 29 types of drill-ploughs, instead of almost 800, and lastly, 45 types of pen-knives, instead of 300. Standardisation greets the newly-born; a simplified make of perambulator has resulted in a saving of 1,700 tons of iron and 35 tons

of tin. Standardisation does not even leave out the sick; the types of hospital beds have been reduced from 40 to one. Burial appurtenances, too, have been standardised; the use of copper, latten, bronze, wool and silk are excluded from the make of a coffin. Economising on the dead, by means of standardisation, saves thousands of tons of metal and coal, hundreds of thousands of metres of timber, etc.

Technical science has compelled recourse to standardisation, despite the conditions of capitalism. Socialism imperatively demands standardisation, providing as it does, immeasurably greater possibilities for it. But we have as yet, hardly commenced to approach it. The growth of industry has now created the necessary material conditions for the introduction of standardisation. All the processes for the renewal of basic capital must proceed along the line of standardisation. As compared to the American, the number of types of our products must be reduced to a lower figure.

Standardisation not only makes possible but necessitates greater specialisation of factories.

From the factories where everything is made indifferently, we must evolve factories where some thing is made well.

It must be said to our shame, however, that even to this day, on the eve of the eighth anniversary of our socialistic management, we frequently hear the complaint expressed on the part of our industrialists, even engineers, that specialisation of production kills "the spirit," narrows the scope of creative work, makes the work of the factory monotonous, "dull," and so forth. These snivelling and utterly reactionary objections strongly bring to mind the old Tolstoyan and Populist sermons regarding the superiority of peasant home industries over manufactures. The problem of converting the whole of production into a single, automatically working mechanism is one of the greatest problems that one can imagine. It opens up an enormous field for technical, organising and economic creative work. The problem can be solved, however, only by a bolder and more persistent specialisation of factories, a standardisation of production and formation of the big specialised works into one great industrial chain.

The present achievements of foreign laboratories, the vastness of foreign power stations, and the success of American factories in regard to specialisation are immeasurably greater than our present achievements along this line. But the conditions of our national and property laws are infinitely more favourable for this purpose than the conditions prevailing in capitalist countries. And in this respect our advantages will the more carry the victory the more we advance. In practice, the problem resolves itself into the gauging of all possibilities and the use of all resources. Results will not be slow in coming, and then we shall be able to sum them up.

## VI

### CRISES AND OTHER DANGERS OF THE WORLD MARKET

**W**HEN we had scarcely any connection with the world market, the fluctuating conditions of capitalism reacted on us, not so much directly through the channels of the goods turnover, as politically, alternately aggravating and ameliorating our relations with the capitalist world. As a result, we adopted the habit of regarding the development of our economic conditions as almost quite apart from the economic process of the capitalist world. Even after the revival of our market, with its accompanying trade fluctuations, selling crises, etc., we still regarded these phenomena independently from capitalist dynamics in the West and in America. And we were right in so far as our revival took place within the limits of an almost self-sufficient economic system. However, with the rapid growth of imports and

exports, the position was radically changed. We are becoming a part, a highly individual but nevertheless component part, of the world market. This means that its general factors, though changed, are in one way or another bound to influence our economic conditions. The alternating stages of economic conditions are mostly expressed in the way in which the market buys and sells. We appear on the world market as sellers and as buyers. Consequently, to some degree, we are subject to the commercial and industrial flux and reflux of the world market.

We shall more clearly understand what this means for us if, by means of comparison, we find out what new element it has brought us. With every great economic impact (the "scissors" period, the "selling" crisis, and so on), our public opinion became concerned with the question as to whether crises are inevitable and to what extent, etc. At the same time, conforming to our economic conditions, we did not step out of the limits of our almost "self-sufficient" system. We compared the planning principle—the economic basis of which is nationalised

industry—with the elemental market principle—the economic basis of which is the peasantry. A combination of planned and elemental economics presents the more difficulties, in that the economic element depends so much on the natural elements. Hence, we arrived at the following prospect: the development of the planning principle will proceed according to the growth of industry and its increasing influence on agriculture and on industrialised methods of cultivation on a co-operative basis, etc. This process, whatever we thought of the degrees of its development, appeared to us an ascending one. But the ascent is in zigzags, and we have just come to a bend in it. This is best seen in the export of our grain.

The problem now is not only of crops, but of the sale of crops and that not only on the home but on European markets. The export of grain to Europe depends on the purchasing power of Europe, and the purchasing power of industrial countries (of course, grain is imported by industrial countries) depends on prevailing conditions. In a period of commercial and industrial depression Europe will import less of our grain, still less of

our timber, flax, furs, oil and so on, than during a period of industrial prosperity. A decrease in exports is inevitably followed by a decrease in imports. If we do not export a sufficient quantity of raw material and foodstuffs, we are unable to import the necessary quantity of machinery, cotton and so forth. If, as a result of not having disposed of the whole of our export supplies, the purchasing power of the peasant were less than was anticipated, this would lead to a crisis of over-production; on the other hand, should there be a deficiency of goods, we would be unable, owing to curtailed exports, to make good the deficiency by an import of ready-made articles, corresponding machinery, and raw materials, such for instance, as cotton. In other words, a commercial and industrial depression in Europe and more so a world depression, might produce a wave of depression in our own country. And *vice versa*, a commercial and industrial boom in Europe would immediately be followed by a demand for the essential raw materials for industrial purposes such as timber, flax, and also for grain, of which there would be



a greater consumption, with the greater prosperity of European populations. Thus, a trade and industrial boom by facilitating the disposal of our export goods, would inevitably provide an impetus to our own commercial, and industrial and agricultural prosperity. Our previous independence of the fluctuations of the world market is going. All the fundamental processes of our economy not only come into close relation with the corresponding processes of the world market, but are being subjected to the laws governing capitalist development, including changing conditions. We thus arrive at a position where, as a business state, it is to our interest, to some extent, at least, to have improved conditions in capitalist countries, for in the other event, if conditions in those countries were to grow worse, it would, to some extent, be to our disadvantage.

This circumstance, rather surprising at a first glance, reveals but on a larger scale the same inconsistencies which are inherent in our so-called New Economic Policy, inconsistencies we used to observe before in the narrower limits of our national "self-

sufficient" economy. Our present order is based not only on the struggle between socialism and capitalism, but—to a certain extent—on the collaboration between them. For the sake of the development of our productive forces, we not only tolerate private capitalist enterprise, but—again to a certain extent—we foster and even "implant" it by the granting of concessions, and the leasing of works and factories. We are extremely concerned with the development of peasant agriculture, notwithstanding the fact that at the moment it is almost entirely individualistic in character, and that its growth feeds both socialistic and capitalistic tendencies of development. The danger of the co-existence and collaboration of the two economic systems—the capitalist and the socialist (the latter adopting the methods of the first)—lies in the fact that the capitalist forces may get the best of us.

There was a similar danger within the limits of our "self-sufficient"\* economy, only

\* Of course, our economy has never been altogether "self-sufficient"; it is but for convenience sake that we oppose against each other two clear and definite types.

on a smaller scale. The importance of the control figures of the State Planning Commission, as we have shown in the first chapter, lies in the fact that they have indicated with certainty the predominance of socialist tendencies over the capitalist in the development of the productive forces. If we had intended (or, more truly, if we had been in a position) to remain to the last economically a "self-sufficient" country, the problem, in essence, might have been considered as solved. The only dangers that would then have threatened us would have been political, or a military break through our "self-sufficient" system from without. But in so far as we have economically entered the system of the world division of labour and have thereby become subject to the laws governing the world market, the collaboration and struggle between capitalist and socialist economic tendencies assume immeasurably wider proportions, which mark increased opportunities, but also increased difficulties.

There is, consequently, a profound and quite natural analogy between the problems which used to confront us in the limits of our

home economic relations with the institution of the New Economic Policy and the problems which confront us now, as a result of our entry into the world market. The analogy, however, is not complete. The collaboration and struggle between capitalist and socialist tendencies within the Union is proceeding under the vigilant eye of a proletarian State. If in economic questions the Government is not all-powerful, at least the economic forces of the State when the latter consciously fosters the progressive tendency of historic development, become enormous. While tolerating the existence of capitalistic tendencies, the workers' State is to some extent able to hold them in check by fostering and encouraging socialist tendencies in every possible way. The means of doing this are: a sound fiscal system and measures of general administration; a system of home and foreign trade; state aid to co-operation; a concessionary policy in strict conformance to national economic needs—in a word, an all-round system of *socialist protection*. These measures presume a dictatorship of the proletariat and their force is consequently

limited to the territory of the dictatorship. In the countries with which we have entered into trade relations, an opposite system is in force, that of capitalist protection, in the broadest sense of the word. This is where the difference lies. On Soviet territory, socialist economics are struggling with capitalist economics, the former supported by the workers' State. On the territory of the world market, socialism is opposed to capitalism, which in its turn is protected by imperialist States.

Here we have not only economics pitted against economics, but politics against politics. The most effective economic weapons of the workers' State are a monopoly of foreign trade and a policy of concessions. If the laws and methods of the socialist state cannot be imposed on the world market, the relation between the former and the latter will depend largely on the will of the workers' State. Hence a properly regulated system of foreign trade, as we have already shown, assumes a special significance and the importance of a concessionary policy will grow side by side with it.

We do not intend to exhaust this question

in the present essay ; our purpose has merely been to raise it. The question itself, however, may be divided into two. In the first place, by what means and to what extent can the planned activity of the workers' State safeguard our economics from subjection to the fluctuating conditions of the world market ? In the second place, by what means and to what extent can the workers' State safeguard the further development of socialist tendencies in our economics from the capitalist pressure of the world market ? We were confronted by both questions in the limits of our "self-sufficient" economy. They assume new importance and meaning on the broader scale of the world market. In either case the planning principle in economics now assumes much more importance than in the period that has passed. We should inevitably have been subjected by the market had we measured ourselves by the market alone, for the world market is stronger than we are. It would have weakened us by its fluctuating conditions and, having weakened us, would have defeated us by the superior quantity and quality of its goods.

We know that an ordinary capitalist trust endeavours to guard itself against sharp fluctuations of demand and supply. Even a trust closely approximating to the monopoly position never intends to cover the whole of the market with its produce at each given moment. During periods of boom, trusts often allow non-trust enterprises to exist alongside with them, allowing them to cover the surplus demand, thus sparing themselves the risk of a new capital investment. When a new depression comes, the non-trust enterprises are the first to suffer, and they frequently pass into the hand of the trust for a mere song. When another boom comes, the trust is prepared to meet it with increased forces of production. If the demand is again greater than the supply, the trust plays the same game over again. In other words, a capitalist trust endeavours to cover the definite demand only and expands according to the growth of the latter, as far as possible transferring the risk connected with fluctuating conditions to the weaker and casual enterprises, which form, as it were, a productive reserve. Of course, this system is not in force everywhere

and always, but it is typical, and serves to explain our meaning. Socialist industry is a trust of trusts. This huge productive combine is still less able to follow all the curves of the market demand than a capitalist trust. A state industrial trust must endeavour to cover the demand guaranteed by all former development, utilising as far as possible the private capitalist reserve for covering the temporary surplus demand that may be followed by a new period of depression. The function of such a reserve is fulfilled by private industry, including concessionary enterprises, and the volume of goods of the world market. This is what we meant when we spoke of the importance of regulating our foreign trade system and our concessionary policy.

The State imports such means of production, such raw material, and commodities for consumption as are required for the support, improvement and systematic development of the productive process. The complex relation, if simplified to a schematic outline, would present itself thus : during periods of world commercial and industrial prosperity, our exports will



increase to some additional extent and will cause an increase in the purchasing power of the population. It is quite clear that if our industries were immediately to expend their financial resources on the import of machinery and material for the expansion of corresponding branches of production, the next world crisis which would decrease our economic resources, would also doom us to a crisis in the over-developed branches of industry and to a certain extent in all our industries.

Of course, to some extent, such occurrences are inevitable. Peasant agriculture on the one hand, the world market on the other, these are the two sources of fluctuation and crises. But the art of economic policy, however, will consist in covering the growing home demand by the secure part of state production and the temporary surplus demand by a temporary import of ready-made goods and the attraction of private capital. Under these circumstances, the alternate depressions in world conditions would have little influence on our national industries.

As in the whole of this work the regulation of peasant agriculture enters as an important,

sometimes as a determining element, it shows how necessary if we maintain the split-up conditions of our peasant agriculture, become such organisations as the co-operatives, the adaptable trading bodies of the State, which must all allow for a much better and completer calculation and estimation of possible fluctuations in peasant demand and supply.

\* \* \*

But does not the process of our "growth" into the world market threaten us with greater dangers? In the event of a war or a blockade, are we not threatened with an automatic break in the innumerable threads of life? We must not forget that the capitalist world is absolutely hostile to us, etc., etc. Such thoughts seethe in many heads. Among our industrialists we may find many conscious or semi-conscious supporters of the "self-sufficient" economy principle. We must devote a few words to this. Of course, loans, concessions, and the growing dependence on exports and imports have their dangers. In no one of these directions can we let go the reins. But there is an opposite danger,

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equally great ; this consists in a slower rate of progress than would be possible by an active utilisation of all world possibilities. And we are not free to choose the rate of our development, as we live and grow under the pressure of the world market.

The argument concerning the danger of war or blockade in the event of our "growth into the world market" is too thread-bare and abstract. In so far as international exchange, in all its forms, makes us economically stronger, it will also strengthen our position in the event of blockade or war. That our enemies may again try to subject us to this experience we do not for a moment doubt. But, in the first place, the more multiform our international relations, the more difficult it will be even for our possible enemies to break them. And, in the second place, even if these eventualities were to come about, we should still be much stronger than we would have been under a "self-sufficient," and consequently belated, development. In this respect, we may learn something from the historic experience of bourgeois countries. At the end of the nineteenth century and the

beginning of the present, Germany developed a powerful industrial system, on the strength of which she became the most active force in world economics. Her foreign trade turnover and her relations with foreign markets, including the overseas, developed enormously in a short space of time. The war put an end to it all. Owing to her geographic position, Germany from the first day of the war was subjected to an almost complete economic blockade. Nevertheless, the whole world was witness to the astounding vitality and endurance of this highly industrialised country. Her former struggle for markets developed an exceptional adaptability of productive apparatus, which she utilised to the full on a limited national scale during the period of the war.

The world division of labour is not a factor we can leave out of account. We can speed up our own development only by a clever use of the resources emanating from the existence of the world division of labour.

## VII

### CONCLUDING REMARKS

**I**N the whole of my essay I have confined myself exclusively to the economic process and to its logical development, so to speak. Thus, I have consciously excluded from the field of vision all other factors not only influencing economic development but capable of diverting it in another direction. Such a one-sided economic approach is methodically correct and inevitable when the matter is one of a prospective estimate of a complex process embracing many years. A practical solution of the moment must be adopted every time with a possible calculation of all the factors in their aspects of the moment. But when the matter is one of the prospects of economic development for a whole period ahead we must inevitably divert our attention from "super-structure" that is to say, from the factor of

politics, first of all. A war, for instance, might have a determining influence on our development in one direction, a successful European revolution in another. And this applies not merely to external events. The internal economic process works out its own complex political course, which in its turn, may become a factor of the greatest importance. The economic disintegration of the rural districts into different elements, which, as we have shown does not threaten us with any direct *economic* dangers, that is to say, with a rapid growth of capitalist tendencies at the expense of socialistic, may nevertheless, under certain circumstances, generate political tendencies hostile to socialist development.

The political conditions, internal and international, present a complex combination of questions each demanding a separate analysis but closely connected with economics. This analysis does not enter into the subject of our investigation. To point out the fundamental tendencies in the development of the economic foundations does not mean, however, the providing of a ready-made key to all the changes of the political superstructure, which

also possesses its own inner truth, its problems, its difficulties. An orientation of economic prospects does not preclude a political orientation; it makes the latter easier.

Thus, in the process of our analysis, we have purposely put aside the question as to how long the capitalist order will last. How will it change, and in what direction will it develop? Here several variations are admissible. We are not prepared in these concluding lines to investigate them. It is sufficient for us only to name them. Perhaps we may have to return to them in some other connection.

The question of the success of socialism may be settled at its simplest by presuming that there is going to be a proletarian revolution in Europe in the next few years. This "variation" is by no means the least probable. From the view of socialistic prognosis this settles the question. It is clear that given a combination of the economics of the Soviet Union with the economics of Soviet Europe, the question of the comparative coefficients of socialist and capitalist production would be successfully solved,

despite any kind of resistance on the part of America. And it is open to doubt that such resistance would last long.

The question becomes more complicated if we conditionally assume that the capitalist system surrounding us will still continue for several decades. Such an assumption however would be senseless in itself, were it not made more real by other assumptions. In the event of this variation what would become of the European proletariat and then of the American? What would become of the productive forces of capitalism? If the decades conditionally admitted were to be decades of flux and reflux, cruel civil war, of economic deadlock, and even utter economic collapse, that is to say, were to be a painful protracted process of the birth of socialism, it is clear that in the transitional period our economics would acquire superior weight, owing to the incomparably greater stability of our socialised foundations.

If we were to assume however, that in the course of the next decade, a new economic equilibrium would be established on the world market, such, for instance, as prevailed in



the period of extensive production of 1871-1914, the whole question would present a different aspect. A condition for an equilibrium of this kind would have to be a new growth in the productive forces, for the comparative "peaceful disposition" of the bourgeoisie and the proletariat and the opportunist transformation of social democracy and the trade unions in the decade preceding the war were only due to the tremendous growth of industry. It is quite evident that if the impossible were to become possible, if the improbable became probable, if world capitalism, headed by European capitalism, discovered a new dynamic equilibrium, not only for its unstable government combinations but for its productive forces, if capitalist production were in the next few years and decades to commence another period of mighty growth, this would mean that we, a socialist state, though preparing to change and already changing from a slow goods train to a faster passenger, would still have to catch up the express. To put it more simply, it would mean that we had made a mistake in the fundamental estimation of history. It would mean that capitalism

had not yet exhausted its "missions" in history and that the present imperialist phase was not one of the decline of capitalism, its last convulsions, but the dawn of a new prosperity for it. It is quite clear that under conditions of a new and protracted period of revival of capitalism, both in Europe and the rest of the world, socialism in a backward country would be confronted with great dangers. Of what kind? A new war, which again would not be prevented by a "tricked" European proletariat—a war in which the enemy would oppose us with a superiority of technical resources? Or would it be by an influx of capitalist goods, incomparably better and cheaper than ours, goods which would break our foreign trade monopoly and afterwards the other foundations of our socialist economy? At bottom, this is now a question of secondary importance. It is however, quite clear to Marxists that socialism in a backward country would be very hard pressed if capitalism had the opportunity not only to germinate, but to embark on a long period of development of its productive forces in advanced countries.

However, there are no reasonable grounds

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to presume a variation of this kind, and it would be senseless first to develop a fantastically optimistic future for the capitalist world and then to break our heads trying to find a way out of it. The European and world system of economy, at the present moment, present such a mass of disparities not conducive to development, but undermining it at every step, that history in the coming years will provide us with sufficient occasion to win the economic race if we properly utilise all the resources of our own and world economics. And we are determined to do this. By that time, European development will also have advanced the "coefficient" of political force to the side of the revolutionary proletariat, despite delays and setbacks. On the whole, the balance of history will, we may presume, come out more than favourably for us.

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